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New Law Requires Out-of-State Retailers to Collect Use Tax Consumers to See Tax at Point-of-Sale for Online Purchases

Sacramento – Beginning September 15, 2012, a new law takes effect ([Stats. 2011, ch. 313 \(AB 155\)](#)) that expands the types of out-of-state retailers required to register with the California State Board of Equalization (BOE) and requires them to begin collecting and remitting use tax on sales of tangible personal property to California consumers. The law applies to out-of-state retailers that have substantial nexus with California consumers. This includes any out-of-state retailer that has sold more than \$1 million to California consumers in the past year and has had more than \$10,000 in sales referred by an affiliate operating in California.

“This is an important step forward for fairness in the market place and for consumers to begin to see tax collected in the same way on all of their transactions, regardless of whether they occur online or in the store,” Board Member Betty T. Yee said. “It is in every Californian’s interest for online and store front businesses to play by the same rules.”

The BOE is sending letters to more than 200 out-of-state retailers notifying them about the new law. Retailers will be able to easily register online with the BOE’s secure and innovative electronic registration system ([eReg](#)) and remit the tax collected by e-filing their returns.

[California Use Tax](#) was established in 1935 to eliminate the price advantage out-of-state retailers would have over California businesses that collect and send sales tax to the BOE. Consumers have always been required to pay use tax if they buy taxable items from retailers that do not collect the tax; however, the state may require retailers with substantial nexus to collect that tax on applicable sales to California consumers. Therefore, AB 155 only expands the types of out-of-state retailers required to collect the use tax. When AB 155 takes effect September 15, some additional out-of-state retailers, including Internet retailers, will collect the use tax at the point of sale, and California consumers will begin to see the tax on their bills.

However, if out-of-state retailers do not collect the tax, California consumers must continue to report and pay their use taxes. Consumers can pay directly to the BOE using [eReg](#) or pay on their California income tax returns with the option of using the [Use Tax Lookup Table](#).

AB 155 is expected to help the BOE collect tens of millions of dollars in use tax that will help pay for services such as public safety, schools and health care.

For more information on California's new use tax registration and collection requirements, visit:

- [Sale and Use Tax Regulation 1684 - Collection of Use Tax by Retailers](#)
- [New Use Tax Collection Requirements for Out-of-State Retailers Operative September 15, 2012 – Frequently Asked Questions](#)

Retailers with questions please contact the BOE Out-of-State Office at 916-227-6600.

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Board Member Betty T. Yee was elected to her post in November 2006. Her district includes many of California's coastal counties, from Del Norte to Santa Barbara, and includes the entire San Francisco Bay Area. Ms. Yee previously served as Chief Deputy Director for Budget at the California Department of Finance, covering a wide array of state and local finance policy matters.

The five-member California State Board of Equalization (BOE) is a publicly elected tax board. The BOE collects more than \$50 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

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